

INTRODUCTION: Exchange Stabilization Fund

To stabilize the exchange value of the dollar, the Exchange Stabilization Fund (ESF) was established under the Gold Reserve Act of January 30, 1934 (31 U.S.C. 5302), which authorized establishment of a Treasury Department fund to be operated under the exclusive control of the Secretary, with approval of the President.

Subsequent amendment of the Gold Reserve Act modified the original purpose somewhat to reflect termination of the fixed exchange rate system.

Resources of the fund include dollar balances, partially invested in U.S. Government securities, *special drawing rights* (SDRs), and balances of foreign currencies. Principal sources of income (+) or loss (-) for the fund are profits (+) or losses (-) on SDRs and foreign exchange, as well as interest earned on assets.

• Table **ESF-1** presents the assets, liabilities, and *capital* of the fund. The figures are in U.S. dollars or their equivalents based on current exchange rates computed according to the accrual method of accounting. The capital account represents the original capital appropriated to the fund by Congress of \$2 billion, minus a subsequent transfer of \$1.8 billion to pay for the initial U.S. quota subscription to the *IMF*. Gains and losses are reflected in the cumulative net income (+) or loss (-) account.

• Table **ESF-2** shows the results of operations by quarter. Figures are in U.S. dollars or their equivalents computed according to the accrual method. "Profits (+) or losses (-) on foreign exchange" includes realized profits or losses. "Adjustment for change in valuation of *SDR holdings and allocations*" reflects net gain or loss on revaluation of SDR holdings and allocations for the quarter.

TABLE ESF-1.--Balances as of June 30, 1996, and Sept. 30, 1996

[In thousands of dollars. Source: Office of the Assistant Secretary of the Treasury for Management]

Assets, liabilities, and capital	June 30, 1996	June 30, 1996 through Sept. 30, 1996	Sept. 30, 1996
Assets			
U.S. dollars:			
Held with Treasury:			
U.S. Government securities	4,185,087	7,667,626	11,852,713
Special drawing rights ¹	11,045,825	-868,395	10,177,430
Foreign exchange and securities: ²			
German marks	6,571,245	28,515	6,599,760
Japanese yen	9,527,704	-177,986	9,349,718
Mexican pesos	10,500,000	-7,000,000	3,500,000
Accounts receivable	351,289	-242,844	108,445
Total assets	42,181,150	-593,084	41,588,066
Liabilities and capital			
Current liabilities:			
Accounts payable	315,975	-256,414	59,561
Total current liabilities	315,975	-256,414	59,561
Other liabilities:			
Special drawing rights certificates	10,168,000	-450,000	9,718,000
Special drawing rights allocations	7,071,692	-19,431	7,052,261
Total other liabilities	17,239,692	-469,431	16,770,261
Capital:			
Capital account	200,000	-	200,000
Net income (+) or loss (-) (see table ESF-2)	24,425,483	132,761	24,558,244
Total capital	24,625,483	132,761	24,758,244
Total liabilities and capital	42,181,150	-593,084	41,588,066

See footnotes on the following page.

TABLE ESF-2.--Income and Expense

[In thousands of dollars. Source: Office of the Assistant Secretary of the Treasury for Management]

	Current quarter July 1, 1996, through Sept. 30, 1996	Fiscal year to date Oct. 1, 1995, through Sept. 30, 1996
Income and expense		
Profit (+) or losses (-) on:		
Foreign exchange	-213,585	-1,627,563
Adjustment for change in valuation of SDR holdings and allocations ¹	26	-160,954
Interest (+) or net charges (-) on:		
Special drawing rights	33,454	148,744
U.S. Government securities	113,830	251,682
Foreign exchange	199,036	1,134,202
Income from operations	132,761	-253,889
Net income (+) or loss (-)	132,761	-253,889

¹ Beginning July 1974, the International Monetary Fund adopted a technique for valuing the special drawing rights (SDRs) based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and allocations are valued on this basis beginning July 1974.

² Excludes foreign exchange transactions for future and spot delivery.

Note.--Annual balance sheets for fiscal years 1934 through 1940 appeared in the 1940 "Annual Report of the Secretary of the Treasury" and those for succeeding years appeared in subsequent reports through 1980. Quarterly balance sheets beginning with December 31, 1938, have been published in the "Treasury Bulletin." Data from inception to September 30, 1978, may be found on the statements published in the January 1979 "Treasury Bulletin."